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California Film Commission to begin offering tax incentives

[By Bob Strauss, Staff Writer](#)

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California is about to join the rest of the union - or, at least, the 40 other states that offer incentives for movie and television production.

The California Film Commission will begin accepting applications today for tax credits - \$100 million worth that will be available each of the next five fiscal years for a limited range of qualifying productions.

Despite the state's awful current financial condition, the Legislature passed the \$500 million program to counteract the financial incentives offered by other states to lure production away from Hollywood.

"Our program is different from most of the other states in that ours is specifically targeting those types of productions that have been leaving to seek out incentives in other regions," said film commission director Amy Lemisch.

California's 20 percent tax breaks are being offered to feature films with budgets of \$1 million to \$75 million, made-for-television movies, miniseries and some new TV series produced for basic cable.

The incentive goes up to 25 percent for independent features with budgets under \$10 million and existing television series that relocate to California from out-of-state.

Indie film producers can also transfer their tax credits to a third party, enabling them to generate cash that could mean the difference between going into production or not. All the other productions will have to wait until filing their 2011 state tax return for their credit certificate to kick in.

While Lemisch does not believe all the first year's \$100 million will be earmarked by the close of business today, she does expect most of the credits to be tentatively assigned fairly quickly this summer.

So far, producers are cautiously optimistic that the program will encourage more filming in California, though they obviously would prefer larger and, perhaps, more immediate financial incentives. New Mexico, for instance, offers a 25 percent, check-in-hand tax rebate that attracted such notable productions as "Terminator Salvation," "Wild Hogs" and "Sunshine Cleaning."

"Film and television productions have left California for tax incentives in other states and countries for years now so the MPAA was, of course, very supportive of the production incentives passed in February in California," said Elizabeth Kaltman, vice president of corporate communications for the Motion Picture Association of America, the major studios' lobbying and rating group.

"Production tax incentives will help make California competitive, generate jobs and much needed revenue for the state."

With the \$75 million budget cap, though, how many big films they will keep in California is debatable.

"Well, that knocks out a lot of studio movies," noted Thomas Tull, whose Legendary Pictures co-produced such pricey action spectacles as "The Dark Knight" and "Watchmen."

"But we do some films that cost under that. And it would just be great to have the option to be able to really compare apples to apples and to stay here.

"At least this shows that the legislators' hearts are in the right place and I know our governor is passionate about this," Tull said.

Of course, even a couple of mid-range studio productions could gobble up each fiscal year's \$100 million pot, which is why \$10 million will be set aside each year for low-budget indies.

"Several states, like New York, have gone through a couple hundred million dollars very quickly," said Brad Simpson, whose indie track record includes "Far from Heaven" and "Boys Don't Cry."

"The scary thing, in any state, is that sometimes they change the rules when an administration or legislature changes," added Simpson, who hopes his new company, Apparatus Productions, will be able to shoot some upcoming projects in California - if, as he joked, he can ever figure out the tax credit application form.

Lemisch is confident that changing the rules won't be a problem here.

"You'd need a two-thirds vote to do any changes at this point, so I feel fairly certain that we're going to be quite stable for five years," she said.

"Of course, if we're very successful and prove to the state that we are indeed increasing jobs and tax revenues, I would hope that the Legislature will decide to extend it beyond that."

Some local film commissions are also doing what they can to sweeten the pot.

"It's a huge step in the right direction," said Jessica Freude of the Santa Clarita Film Office, which has \$150,000 worth of permit- and tax-waiving incentives taking effect today.

"More than anything, if we can still offer an extremely talented workforce here in Southern California, which we have, and still have some great, film-friendly communities and businesses, it only strengthens our position as a great place to film."

The CFC's Lemisch is as optimistic as she can be that the state incentives will not only prove a boon to Hollywood, but to California as a whole.

"I'd like to think that this program will be so effective that we will help the state recover," she said. "I think all the producers should apply; we're not turning anybody away yet!"

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